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THE WOOL SITUATION

Summary

The improvement noted in the domestic wool situation since June was fairly well maintained in September, reports the Bureau of Agricultural Economics. Uncertainty in the foreign situation and the flood and hurricane damage in New England, however, were restraining factors in domestic raw wool sales.

The recent advance in domestic prices and the decline in foreign prices in terms of United States dollars has widened the spread between domestic and foreign prices and the spread is now not much less than the tariff. During the remainder of 1938, domestic wool prices will be influenced to a greater extent than in recent months by the movement of foreign prices.

The weekly average rate of mill consumption of apparel wool in the United States in August was 27 percent higher than in July, and it was 15 percent higher than in August 1937. The rate of consumption in August was the highest reported since April 1937. Consumption in the first 8 months of 1938, however, was more than 35 percent smaller than a year earlier.

Because of the relatively low stocks of manufactured goods and the improvement in the business situation generally, the recent improvement in domestic mill consumption is expected to be fairly well maintained during the remainder of this year. With a small consumption in the first half of this year, however, consumption for the entire year 1938 may be somewhat smaller than in 1937.

Since the beginning of the new domestic wool marketing season last April, when stocks were large, imports have been much smaller than a year earlier. But the reduction in imports has been largely offset by the decrease in domestic mill consumption in 1938 from that of 1937. Consequently the total supply of wool in this country early in September continued to be much larger than a year earlier.

Combined apparent supplies of wool in Australia, New Zealand and the Union of South Africa on September 1 are estimated to be about 2 percent larger than a year earlier but somewhat smaller than the September 1 average for the 5 years 1932-36. In Argentina and Uruguay the carry-over of wool into the new season, which opened October 1, apparently was much larger than in 1937 and also larger than the 5-year average.

Supplies of raw wool in most foreign importing countries, except Japan, are believed to be somewhat larger than a year earlier when supplies in importing countries were relatively small.

DOMESTIC SITUATION

BACKGROUND.- Mill consumption and prices of wool declined rapidly in the United States in the second half of 1937 and early months of 1938. The decline in domestic wool prices was accompanied by a somewhat smaller drop in foreign markets, and the spread between domestic and foreign prices was relatively narrow in the early months of this year. In June 1938 the United States average farm price of wool was about 45 percent below the 1937 high and was lower than at any time since 1935.

Stocks of raw wool accumulated in the United States during the months of low mill activity but stocks of manufactured wool goods were greatly reduced in the first half of 1938. An increase in domestic mill consumption in July was accompanied by an increase in domestic wool prices.

Wool Sales and Prices

The United States average farm price of wool on September 15 was 18.7 cents a pound, compared with 19.5 cents on August 15 and 30.8 cents on September 15, 1937. Sales of wool on the Boston market were relatively small in September, and prices of graded wools remained practically unchanged during the month. The uncertainty of the foreign situation and the storm and flood damage in New England probably were factors which tended to restrict sales.

Country packed lots of 3/8 and 1/4 blood bright fleece wools were quoted in Boston at 29 - 30 cents a pound in the grease at the end of September, compared with 28 - 29 cents a month earlier. Prices of spot bright fleece wools of fine combing quality remained unchanged from August at 29 - 31 cents a pound grease basis during September and quotations for similar 3/8 blood wools remained unchanged at 30 - 31 cents a pound. Good French combing length fine territory wools in original bags were available late in September at 62 - 63 cents a pound scoured basis compared with asking prices of 62 - 65 cents a month earlier.

Government wool loans

According to a recent announcement of the Commodity Credit Corporation, a total of 87 million pounds of wool had been appraised for Government loans up to September 17. Of this quantity loans had been completed on 51 million pounds with the remainder in process. The loans have averaged about 17.5 cents per grease pound.

Spread between domestic and foreign prices widens

Wool prices in foreign markets have shown little change since May, but the decline in the exchange value of the British pound in recent months has tended to lower quotations for foreign wool in terms of United States dollars. Prices of domestic wool, on the other hand, have advanced and the spread between domestic and foreign wool prices has widened.

Wool Stocks and Imports

Available supplies of apparel class wool in the United States on September 1 were much larger than on that date in 1936 and 1937. Since the beginning of the new marketing season last April imports have been much smaller than a year earlier, but the reduction in imports has been largely offset by the decrease in mill consumption as compared with 1937. Consequently the total supply of wool in this country in early September continues to be larger than a year earlier. Mill consumption in the remaining months of 1938, however, is likely to be somewhat larger than in the same months of 1937 while imports probably will remain relatively small. By the end of the year, stocks may be no larger than a year earlier.

From January through August, United States imports of apparel wool for consumption were 15 million pounds compared with 134 million pounds imported in those months in 1937 -- when imports were relatively large -- and an average of about 35 million pounds for the 5 years 1932-36. Imports in August totaled 3.2 million pounds compared with 2.9 million pounds in July and 8 million pounds in August 1937. In view of the relatively large supplies of domestic wool, imports are likely to continue small during the remainder of 1938.

Mill Consumption

The weekly rate of mill consumption of apparel wool in the United States in August was 5,784,000 pounds. This was 27 percent higher than in July and was 15 percent higher than in August 1937. Mill consumption in August was more than twice as large as in April, the low month for 1938, and was the highest reported since April 1937.

Consumption of apparel wool in the first 8 months of 1938, was equivalent to 220 million pounds of shorn wool, grease basis, and 42 million pounds of pulled wool. In the same months of 1937 consumption was equivalent to 327 million pounds of shorn wool and 53 million pounds of pulled wool.

In view of the small stocks of wool goods and the prospects for improvement in the business situation generally, it is expected that the recent increase in mill consumption will be fairly well maintained during the remainder of this year. But because of the small consumption in the first half of the year consumption for the entire year may be somewhat smaller than in 1937.

FOREIGN SITUATION

Wool Sales and Prices

London sales

When the 5th series of 1938 London wool auctions opened on September 20, prices of greasy merino and fine crossbred wools were about 5 percent below the closing prices of the previous series on July 22. Prices of medium and low crossbred wools were about the same as in July. During the sales, which lasted from September 20 to September 30, a good demand for spot wool was accompanied by an advance in prices in the London market. At the close of the sales, prices for merinos and fine crossbreds in English pence, were fully equal to the July prices while prices of other crossbreds were 5 to 10 percent higher than at the close of the July series.

When converted to United States dollars the advance in wool prices at London over July quotations was partly offset by a decline of 3 percent in the exchange value of the English pound between July 22 and September 30. At current rates of exchange average prices of most wools grading below 56s were about 2 cents a pound higher on September 30 than on July 22, but prices of fine wools were slightly lower than in July.

Orders for wool goods placed by the British Government late in September and the sharp increase in war risk insurance rates probably were factors in the advance in prices on the London spot market during the September series.

Southern Hemisphere sales

Prices in the Australian wool market were firm in September. Japan and the United States bought very little wool during the first month of the sales but purchases by England, France and Germany resulted in good clearances at most sales. Cancellation of war risk insurance rates caused some tie-up in wool shipments late in September.

The wool market in Argentina was quiet in August, and declines were reported on prices of second clip wools which had advanced in July. Supplies are still relatively large in the South American markets and there will be a substantial carry-over into the 1938-39 season which begins in October.

Southern Hemisphere Wool Supplies for 1938-39 Season

Wool production in the Southern Hemisphere in 1938-39 is expected to be smaller than a year earlier as a result of a prospective decline of about 6 percent in the Australian clip. The decline in production, however, is expected to be more than offset by the increase in carry-over into the current season. Supplies for the season probably will be slightly larger than in 1937-38 but about the same as the average for the 5 years 1932-33 to 1936-37.

Supplies on September 1

Apparent supplies 1/ of wool on September 1 in Australia, the Union of South Africa and New Zealand, where the new export season opened on July 1, are estimated at about 1,560,000,000 pounds. This is 2 percent larger than a year earlier but 4 percent smaller than the September 1 average for the 5 years 1932-36. Supplies on September 1 were smaller than a year earlier in Australia but were larger in the Union of South Africa and New Zealand. The increase over a year earlier was entirely due to the larger carry-over into the 1938-39 season. Combined production for the three countries is estimated to be 3 percent smaller than in 1937-38 and exports for the first 2 months of the new season were slightly larger than in 1937.

The 1938-39 season opened in Uruguay and Argentina on October 1. Statistics of carry-over and production for the new season are incomplete, but the carry-over of wool in those countries apparently was much larger than a year earlier and was larger than the 5-year average. Exports from Argentina and Uruguay in the first 11 months of the 1937-38 season, to September 1, were only 352 million pounds compared with 415 million pounds exported in the same months of the previous season.

Wool Supplies in Importing Countries

Supplies of raw wool in most foreign importing countries, except Japan, apparently were somewhat larger at the beginning of the 1938-39 Southern Hemisphere marketing season than a year earlier when supplies in importing countries were relatively small. Imports of raw wool into the United Kingdom, France and Germany in the first half of 1938 were larger than in those months of 1937. While there has been some increase in mill activity in France and Germany, mill consumption in the United Kingdom this year has been much smaller than a year ago. Imports into Belgium and Italy, where consumption has declined, have been smaller so far in 1938 than a year earlier.

Imports and reexports of wool for the principal importing countries for the years 1934-37 and January-June 1937 and 1938 are shown in table 3.

1/ Carry-over at selling centers at beginning of season, plus estimated production, minus exports to September 1.

SUPPLEMENTARY DATA

Table 1.-Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38

Market and description	Average		Sept,	1938		
	1936	1937	1937	July	Aug.	Sept.
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing scoured basis						
64s, 70s, 80s (fine)	92.0	101.9	98.5	68.6	71.2	70.0
56s (3/8 blood)	80.4	87.1	85.1	58.2	59.4	59.0
46s (low 1/4 blood)	65.9	72.1	70.9	51.8	53.0	53.0
United States:						
Farm price, 15th of month, grease basis	26.9	32.0	30.8	18.7	19.5	18.7
London: 1/						
Average quality, clean cost 2/						
70s	58.4	62.1	59.8	42.6	41.2	41.0
56s	35.1	46.3	47.5	30.8	31.0	31.0
46s	23.8	39.5	41.3	25.2	25.9	27.0
Bradford: 3/						
Scoured basis-						
64s warp	59.8	64.7	61.8	45.1	44.7	43.0
50s	29.7	43.2	44.3	27.7	26.4	27.0
SOUTHERN HEMISPHERE -	BETWEEN SEASONS - PRICES NOT REPRESENTATIVE					
United States:						
Textile fibers-						
Wool, territory fine staple 4/	92.0	101.9	98.5	68.6	71.2	70.0
Cotton, 7/8 middling 5/	11.9	11.2	8.7	8.8	8.4	8.1
Silk, Japanese 13-15 6/	176.6	186.0	185.1	181.1	173.7	180.6
Rayon yarn, 150 denier 7/	58.6	62.2	63.0	49.0	51.0	51.0

Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices except United States farm price which is weighted average.

1/ Average of quotations for each series of London sales reported by the London Office of the Bureau. For months when no sales were held figures are interpolated.

2/ Top and noil in oil.

3/ Quotations reported about the 25th of the month by the London Office of the Bureau.

4/ Scoured basis, Boston market.

5/ Average at 10 markets.

6/ 78 percent white, at New York. Bureau of Labor Statistics.

7/ Bureau of Labor Statistics.

Table 2.- United States: Wool imports, consumption and machinery, activity, specified periods, 1937-38

Item	Total, 1937	Jan. - Aug. 1937	Jan. - Aug. 1938	Aug. 1937	July 1938	Aug. 1938
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Imports for consumption actual weight: 1/						
Apparel	150,160	134,038	14,685	8,016	2,911	3,202
Finer than 40s	126,601	113,995	8,740	6,178	1,590	1,382
Not finer than 40s	23,559	20,043	5,945	1,838	1,321	1,820
Carpet, including camels hair	172,091	141,524	26,560	12,921	3,997	6,399
Consumption, scoured basis: 2/						
Weekly average -						
Apparel	4,772	5,537	3,489	5,009	4,549	5,784
Carpet	2,023	2,498	935	2,167	999	1,506
Aggregate -						
Apparel	248,121	193,788	122,127	20,036	22,746	23,136
Carpet	105,197	87,426	32,724	8,668	4,996	6,025
	Percent	Percent	Percent	Percent	Percent	Percent
Machinery activity: 2/ (40-hour shift)						
Worsted combs	115.2	135.2	83.7	110.4	113.8	138.4
Worsted spindles	82.2	95.5	53.4	72.9	64.2	80.3
Woolen spindles	107.8	124.9	67.3	113.2	78.2	101.5
Looms, broad	97.2	112.9	61.6	93.0	67.2	86.0
Looms, narrow	51.0	60.9	24.1	42.3	20.5	28.5
Carpet and rug looms	71.3	82.1	40.1	76.4	37.5	50.7

Import figures from official records of the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity figures from the Bureau of the Census.

1/ Weight of greasy, scoured, and skin wool added together.
2/ Figures for August based on 4 weeks, July on 5 weeks, January to August on 35 weeks. No adjustment made for holidays.

Table 3.- Wool imports retained by principal importing countries, annual 1934-37, January to June 1937 and 1938

Country and item	1934	1935	1936	1937	Jan. - June 1937	Jan. - June 1938
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United States -						
Imports 1/						
Apparel wool	29.3	42.0	110.7	150.2	120.6	8.6
Carpet "	79.1	158.5	143.3	172.1	115.0	16.3
United Kingdom -						
Imports	788.5	864.1	913.9	783.8	513.2	546.9
Reexports	268.9	283.2	276.9	231.9	149.9	166.5
Retained imports	519.6	580.9	637.0	551.9	363.3	380.4
Domestic exports	45.8	56.1	46.6	34.0	23.0	9.0
Import balance	473.8	524.8	590.4	517.9	340.3	371.4
France -						
Imports - shorn	336.9	385.0	353.4	336.8	208.8	208.7
on skins - wool equivalent 2/	59.0	68.2	63.5	59.3	35.8	32.0
Reexports and exports	45.9	47.6	64.4	69.2	39.9	21.4
Import balance	350.0	405.6	352.5	326.9	204.7	219.3
Germany -						
Imports	316.2	272.8	227.7	227.4	134.1	186.6
Reexports and exports	9.8	3.3	0.8	3/	3/	3/
Import balance	306.4	269.5	226.9	227.4	134.1	186.6
Belgium -						
Imports	164.8	235.0	246.9	255.8	178.3	117.5
Reexports and exports	99.6	117.2	106.2	113.0	75.6	35.6
Import balance	65.2	117.8	140.7	142.8	102.7	81.9
Italy -						
Imports 3/	147.2	116.0	42.3	92.8	51.0	40.5
Japan -						
Imports 3/	181.5	243.4	216.8	258.3	220.2	57.3

Compiled from official sources and from "Wool Intelligence Notes" published by the Imperial Economic Committee of the United Kingdom.

1/ Imports for consumption. The item "not finer than 40s" is included with apparel wool for all years. In statistics published by the Department of Commerce, from 1930 to 1935 this item was included with carpet wools.
2/ Estimates published in Wool Intelligence Notes.
3/ Reexports are negligible.